

Message Text

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PAGE 01 JAKART 14664 101006Z

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 7688

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EO 11652: NA

TAGS: EAIR ID

SUBJECT: CIVAIR - U.S.-GOI NEGOTIATIONS

REF: STATE 271918

1. SUMMARY: GOI COUNTERPROPOSES 3-YEAR AGREEMENT WITH
SUBSTITUTION RATIO AND INDONESIAN ROUTE AND FREQUENCIES AS
DESCRIBED IN U.S. PROPOSAL BUT WITH U.S. ROUTES TWICE WEEKLY
VIA KUALA LUMPUR TO JAKARTA AND TWICE WEEKLY VIA SINGAPORE
TO JAKARTA OR REPEAT OR TWICE WEEKLY VIA MANILA TO BALI.
U.S. WOULD HAVE NO TRAFFIC RIGHTS OVER SINGAPORE SEGMENT AND
ONLY ON-LINE STOPOVER RIGHTS KUALA LUMPUR/JAKARTA AND MANILA/
BALI. INSTRUCTIONS REQUESTED. END SUMMARY.

2. AMBASSADOR HAS JUST RECEIVED LETTER DATED NOVEMBER 3
FROM COMMUNICATIONS MINISTER SALIM WHICH RESPONDS TO U.S.
CIVAIR PROPOSAL CONTAINED STATE 223378. FULL TEXT OF
SALIM'S LETTER FOLLOWS:

QTE:

DEAR MR. AMBASSADOR:

THANK YOU FOR YOUR LETTER OF SEPTEMBER 10, 1976 OUTLINING
THE LATEST U.S. PROPOSAL ON THE UNITED STATES-INDONESIA
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PAGE 02 JAKART 14664 101006Z

POSSIBLE EXCHANGE OF AIR TRAFFIC RIGHTS.

HAVING STUDIED THE PROPOSAL CAREFULLY, AND WITH A VIEW TO BE ABLE TO DEVELOP A VIABLE AIRLINE OPERATION BETWEEN THE U.S.A. AND INDONESIA, BENEFICIAL TO BOTH CARRIERS PANAM AND GARUDA, THE INDONESIAN GOVERNMENT IS PROPOSING THE FOLLOWING EXCHANGE OF TRAFFIC RIGHTS:

1. FOR THE UNITED STATES: FOUR FREQUENCIES PER WEEK (NARROW BODIED AIRCRAFT) FROM THE UNITED STATES TO INDONESIA V.V. WITH THE FOLLOWING ROUTING:

A. TWO FREQUENCIES PER WEEK; FROM LOS ANGELES-SAN FRANCISCO-HONOLULU-GUAM-KUALA LUMPUR-JAKARTA WITH FIFTH FREEDOM TRAFFIC RIGHTS BETWEEN KUALA LUMPUR-JAKARTA V.V. FOR OWN STOPOVER PASSENGERS.

B. (1) TWO FREQUENCIES PER WEEK FROM LOS ANGELES-SAN FRANCISCO-HONOLULU-GUAM-SINGAPORE-JAKARTA, WITH NO TRAFFIC RIGHT BETWEEN SINGAPORE-JAKARTA V.V., OR

(2) TWO FREQUENCIES PER WEEK FROM LOS ANGELES-SAN FRANCISCO-HONOLULU-GUAM-MANILA-BALI WITH FIFTH FREEDOM TRAFFIC RIGHT BETWEEN MANILA-BALI V.V. FOR OWN STOPOVER PASSENGERS.

2. FOR INDONESIA: FOUR FREQUENCIES PER WEEK (NARROW BODIED AIRCRAFT) FROM INDONESIA TO THE UNITED STATES V.V. WITH ROUTING: JAKARTA-BALI-BIAK-GUAM-HONOLULU-LOS ANGELES WITH THIRD AND FOURTH FREEDOM TRAFFIC RIGHT BETWEEN INDONESIA-GUAM-HONOLULU AND LOS ANGELES V.V.

3. THE SUBSTITUTION RATIO OF NARROW BODIED AIRCRAFT TO WIDE BODIED IS 2 : 1.

4. NO ADDITION OF ALL CARGO SERVICES AND NO INTRODUCTION OF A SECOND DESIGNATED AIRLINE TO SERVE THE SCHEDULED SERVICE ON THE ROUTES AGREED UPON.

5. AS A BASIS FOR THE EXCHANGE OF TRAFFIC RIGHTS AS PROPOSED ABOVE, THE INDONESIAN GOVERNMENT IS OF THE OPINION LIMITED OFFICIAL USE

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PAGE 03 JAKART 14664 101006Z

THAT THE EXISTING BERMUDA TYPE AIR AGREEMENT BETWEEN THE UNITED STATES AND INDONESIA SHOULD BE CHANGED INTO ONE THAT IS BASED ON THE "PREDETERMINATION OF CAPACITY" PRINCIPLE. WE BELIEVE STRONGLY THAT AN AIR AGREEMENT BASED ON THE "PREDETERMINATION OF CAPACITY" PRINCIPLE WOULD BE MORE SUITABLE AND APPROPRIATE FOR BOTH PARTIES, WITH DUE REGARDS TO THEIR TECHNICAL CAPABILITIES, FINANCIAL CONDITION AND OTHER CONSIDERATION. IT FURTHER PROVIDES THE EQUITABLE BASIS

NEEDED FOR THE SOUND AND FINANCIALLY VIABLE OPERATION OF BOTH CONTRACTING PARTIES.

WITH REGARD TO THE EXISTING PAN AMERICAN OPERATION TO AND FROM INDONESIA, WE WOULD LIKE TO SUGGEST THAT THE PRESENT STATUSQUO OF THE EXISTING SERVICES BE MAINTAINED UNTIL THE END OF JANUARY 1977. STARTING AS OF FEBRUARY 1977 BOTH PARTIES COULD START WITH INAUGURATING THE SERVICES ACCORDING TO THE NEW AIR AGREEMENT, WHICH ARRANGEMENTS WILL HAVE A VALIDITY OF AT LEAST THREE YEARS.

IT IS IN THE SPIRIT OF COOPERATION FOR POSSIBLE NUTUAL BENEFITS THAT WE ARE OFFERING OUR PROPOSAL WHICH WE STRONGLY BELIEVE COULD PROVIDE THE BASIS FOR AN ECONOMICALLY VIABLE OPERATION FOR BOTH FLAG CARRIERS.

FINALLY, IT IS OUR SINCERE HOPE THAT OUR INTERPRETATION OF YOUR PROPOSAL WOULD BE ACCEPTABLE TO YOU AND, AS YOU HAVE SUGGESTED, THAT OUR NEW AIR AGREEMENT COULD BE SINGED SOON.

THANK YOU.

SINCERELY YOURS,

/S/ EMIL SALIM
MINISTER OF TRANSPORT, COMMUNICATIONS
AND TOURISM. UNQTE.

3. COMMENT: ALTHOUGH WE HAVE NOT DISCUSSED COUNTERPROPOSAL WITH GOI WE ASSUME PROBLEMS WE MIGHT HAVE WITH MATTERS RAISED PARA 4 AND 5 SALIM LETTER CAN BE RESOLVED BY NEGOTIATION. WE WOULD ALSO HOPE, NOW THAT PANAM HAS FAIRLY CLEAR IDEA AS TO ITS FUTURE PACIFIC PATTERNS OF SEFVICE, THAT WE MIGHT BE IN A POSITION TO ACCEPT A 3-YEAR RATHER THAN A 2-YEAR AGREEMENT. WHAT IS NOT AT ALL CLEAR TO US, LIMITED OFFICIAL USE

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PAGE 04 JAKART 14664 101006Z

HOWEVER, IS WHETHER PANAM CAN LIVE WITH PROPOSED TRAFFIC RIGHTS LIMITATIONS AND MORE RESTRICTIVE SPECIFICATION OF ROUTING PATTERNS. PLEASE ADVISE ASAP U.S.G. REACTION TO GOI COUNTERPROPOSAL.

NEWSOM

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